

MINUTES ADOPTED BY CITY COUNCIL

Greenville, NC
September 16, 2003

The Greenville City Council and Greenville Utilities Commission met in joint meeting on the above date at 5:30 PM in the Board Room of the Greenville Utilities Commission Building, with Mayor Parrott and Chairman Jenkins presiding. The following were present.

City Council Members

Mayor Robert D. Parrott
Mayor Pro-Tem Ric Miller
Council Member Mildred A. Council
Council Member Ray Craft
Council Member Pat Dunn
Council Member Chip Little
Marvin Davis, City Manager

Council Member Absent: Council Member Rose Glover

Commission Members

Chairman Chris Jenkins
Vice Chair Bryant Kittrell
Commissioner Marvin Davis
Commissioner Lynn Evans
Commissioner Faye Taylor
Commissioner Clifton Hickman
Commissioner Wayne Powell
Commissioner Louis Zincone
Malcolm Green, General Manager

CALL TO ORDER

Mayor Parrott called the City Council to order.

Chairman Davis called the Commission to order.

APPROVAL OF AGENDA

Motion was made by Council Member Little and seconded by Council Member Craft to approve the agenda as presented. Motion carried unanimously.

Motion was made by Commissioner Hickman and seconded by Commissioner Powell to approve the agenda as presented. Motion carried unanimously.

RECOGNITION OF SERVICE AS COMMISSIONER

Chairman Jenkins presented Commissioner Charles Davis a plaque in appreciation for his leadership and service as a Greenville Utilities Commission Commissioner for the past six years.

PRESENTATION AND CONSIDERATION OF JOINT CITY/GREENVILLE UTILITIES COMMISSION COMMITTEE FOR EMPLOYEE PAY AND BENEFITS RECOMMENDATIONS – HEALTH INSURANCE

Ms. Evonne Boyd, Greenville Utilities' Commission's Human Relations Officer, reported that the appointed committee members for the joint Greenville Utilities Commission/City of Greenville Employee Pay and Benefits Committee were Commissioners Wayne Powell and Faye Taylor from Greenville Utilities Commission and Council Members Ray Craft and Pat Dunn from the City Council. The committee members met on August 13, August 20, and August 27 to develop health insurance recommendations for FY 2003-2004. The current health insurance plan is a managed care program with CIGNA. It includes employees of Greenville Utilities Commission, the City of Greenville, Sheppard Memorial Library, Greenville Housing Authority, Pitt-Greenville Airport, and Convention and Visitors Bureau. The CIGNA plan is on a calendar year contract basis, with a January 1 renewal date. During committee discussions, staff and David Chappell of Carolina Benefit Specialists, Inc., provided committee members with information on medical trends and coverage options. The following subjects were discussed at length:

- Health insurance is the primary benefit in employee recruitment and retention efforts
- Greenville Utilities Commission/City of Greenville premium costs are equal to or less than many other entities
- Total premium costs for the last two years for Greenville Utilities Commission/City of Greenville employees
- Breakdown of costs by employee salary ranges
- Greenville Utilities Commission/City of Greenville premium contributions based on employee salary bands works well
- Cost share for dependent coverage
- Concern that insurance remain affordable for employees to cover family members
- Current coverage levels and cost impact for coverage reductions
- Renewal options to reduce amount of premium increase by decreasing coverage levels
- Overall concern that employee paychecks not see the 1.6% mark adjustment wiped out with the health insurance premium increase
- Increased out-of-pocket costs for non-covered medical services affects employees' take-home pay
- January 1, 2004 renewal quote of 17% premium increase for current coverage
- Change in coverage and co-payment levels will reduce the premiums to an 11.44% increase effective January 1, 2004
- Impact of picking up employee share of premium increase
- The need for a joint comprehensive pay and benefits study in FY 2004-2005

- Nationally, double-digit premium increases for the third consecutive year are also expected in 2004
- Greenville Utilities Commission/City of Greenville managed care plan experienced less than double-digit increases in 2000, 2001, and 2002, but reached double-digits in 2003.

Ms. Gerry Case, City of Greenville Director of Human Resources, reported that the Committee recommended the following:

- Renewal of the current plan with a change in coverage and co-payment levels and a reduction in the premiums to an 11.44% increase effective January 1, 2004
- Review benefits in a comprehensive joint pay and benefits study for FY 2004-2005
- Consider a change in the health insurance contract year to coincide with the budget year
- Determination by City Council and Greenville Utilities Commission on whether the employees' share of increased premiums should be paid by the City and Greenville Utilities Commission, given the amount of additional out-of-pocket expenses for medical care and the lower market adjustment this year for employees (1.6%)

Ms. Case pointed out that if premiums are being reduced by reducing the coverage, there is still a total cost. The doctor's office and the hospital costs are not going down because there is a reduction in coverage. There are items that are covered by health insurance that employees will have to pay for out of their pockets. The Committee wanted the two boards to discuss whether or not the employer should pick up the employee's share of the increased premiums. The increase per paycheck for City employees is \$40,877. The increase per paycheck for Greenville Utilities Commission employees is \$23,036. Because of non-covered items, the additional costs for City employees will be \$119,201 and \$74,602 for Greenville Utilities Commission employees.

Council Member Craft stated that he has a problem with the \$119,201 for City employees and \$74,602 for Greenville Utilities Commission employees as shown.

Chairman Jenkins asked why there was not a recommendation from the Committee regarding the increased employee premiums.

Ms. Case replied that there was total agreement on the first three items among the Committee members. There was some discussion on the increased employee premiums, and there was not full agreement and consensus by all committee members on this issue. The committee wanted both boards to discuss this issue.

Council Member Craft pointed out that the numbers did not come from the compensation committee. He questioned whether these numbers could be justified.

Chairman Jenkins stated that he would like to hear some of the discussion or dialogue that the Committee had that led to the stalemate.

Ms. Case stated that the committee members wanted to bring it back to the boards so that both boards could discuss the issue.

Chairman Jenkins stated that it may prolong the decision if the Committee is referring this back to the Boards, because this is such a large group. The purpose of the committee was to come back to the boards with a recommendation and the boards would make a decision on the recommendations.

Mayor Parrott asked if the numbers were the difference between the 17% percent increase and the 11.4% increase.

Ms. Case stated that was correct.

Mayor Parrott asked David Chappell if the premiums would still increase 17% if the co-pay had not been changed.

Mr. Chappell stated that the premiums would be 17% higher. Every year in February or March Greenville Utilities Commission and the City of Greenville will contact CIGNA and their underwriters to give an estimate of the renewal. That is the figure that staff uses during the budget process.

City Manager Davis stated that staff did not try to bring any number forward that had not been discussed. One of the things that was discussed was how to have a number on the cost shifting that is occurring from the employer to employee because of coverage changes. (co-pays, drug card). The increase in the cost of the premium is a cost that the insurance company will bear; it goes to different levels. This is simply a mathematical difference of those two premium levels with the cost being shifted from the employer to the employee. These costs were in the charts that were previously presented. It simply was not subtracted. These differences in cost premiums were in the charts, and the Committee talked about the costs being shifted from the employer to employee and how much those costs would be. Staff has tried to quantify that by using the insurance premiums that the insurance company would pay for medical expenses. Insurance companies pay for medical costs. If the entities are going to be insured at one level, then they will be charged enough to reimburse for the claims. If the entities are going to reduce that level, then the differences are the costs that they are not going to incur. The numbers that are shown are simply the differences of costs that they would not incur. There are two different percentages--one is 17 and one is 11. That is the best way to estimate how much the employee will pay additionally out of their pocket for the costs of coverage changes.

Council Member Dunn pointed out that there are three coverage changes. If one goes to a specialist there will be another co-pay, if one goes to the hospital, there will be a \$250 charge, and the premiums have gone up. The employee's out-of-pocket expenses are going to be increased under the existing policy that is being presented.

Ms. Case stated that the \$119,201 difference in total costs that neither the City nor the employee are paying in premiums but are additional costs that the employees will be paying the providers for charges that are no longer covered by the insurance.

Council Member Dunn suggested that the \$119,201 number be taken out. The employee will pay more on their premiums, \$250 for going to the hospital, and pay double for going to a

specialist. In real dollars, if an employee goes to the hospital, goes to a specialist, purchases generic drugs, and if they get this policy, they are all going to pay more cash dollars out of their pocket this coming year than last year.

City Manager Davis stated that to figure the employee increase, one must look at the premium costs that the employees have paid over the past twelve months and project that at an increased rate.

Commissioner Powell pointed out that if they look at the lower two tiers of employees, these increases basically wipe out their payroll increases.

Council Member Dunn pointed out that two-thirds of the City employees are in the two lower tiers.

Council Member Chip Little stated that health care is vitally important to employees, but it needs to be calculated into what the fair market value is for particular jobs.

Commissioner Powell stated that there is no disagreement with that. That is one of the recommendations. The City/Greenville Utilities Commission health care is a good package, but one also has to look at dental, salaries, etc. and put it all together when making comparisons for employee benefits. Unfortunately, this group is focusing on one issue.

Council Member Dunn pointed out that an employee is compensated with a check and with fringe benefits. If either of those sides is reduced, people are being asked to work for a reduction in compensation.

Commissioner Zincone suggested that all employees are finding themselves in this situation in respect to health care costs. He does not like the idea of this package wiping out the entire wage increase to lower level employees. The health care costs are rising. If the Committee thinks this is a reasonably competitive package, then he is prepared to vote for it with the exception of \$119,000 and the \$74,000.

Mayor Parrott pointed out that the City and Greenville Utilities Commission would also have additional costs as well as the employees. He does not have a problem with the City and Greenville Utilities Commission taking this additional increase; however, he is concerned about the future increases in health costs and is not sure how long the City and Greenville Utilities Commission can absorb the large increases every year without passing some of it on. The revenue of the entities does not increase that much. He asked if the trend is for costs to keep going up double digits.

Mr. Chappell replied that the short-term outlook for the next year to 18 months is exactly the same as the past year, and that is anywhere from 15 to 20% rate increases. Next year this group will have the same decisions to make. CIGNA is projecting an increase of between 15 to 18% and Blue Cross Blue Shield is projecting between 16 to 18%.

Council Member Dunn expressed concern about asking employees to work and having them get less in compensation. Compensation comes in a paycheck and fringe benefits, and when any one of those is reduced, the employee is being asked to make less than he/she did last year.

Commissioner Jenkins asked Greenville Utilities Commission Manager Green and City Manager Davis to address this issue on the impact that this might have on the employees.

Manager Green stated that one of the concerns is employee morale. One of the things employees will see is that their paychecks will be back to almost where they were before the increase. That is one of the concerns that the committee had. They wanted to look at all of the benefit package instead of only one piece and see how the City and Greenville Utilities Commission stack up against the competition. Employees will see the reduction in the premium and that is going to be a big morale issue with a lot of employees. They will see the other as time goes on and they have to go use the insurance.

City Manager Davis stated that one of the things looked at was the certificate of costs. The committee asked David Chappell to look at this group's coverage as compared to other governmental entities and private employers. It was compared to about ten entities. It is often perceived that the City/Greenville Utilities Commission's insurance coverage is a "rich program" and that is not the case. That was looked at by the committee during this discussion. Also, because of managed care, certificate cost per person is not that great with this rate in comparison to others. The certificate cost with 11.44% increase is about \$313, which is much lower than in other places for greater levels of deductions. The reason for this is because of managed care. Every number can be justified. The bottom line comes down to retention and recruitment of employees and health insurance being a primary benefit. As a manager, he is concerned about costs, but one of his greater concerns is being able to have good people to provide good service. He recommended absorbing the \$40,000 and finding that somewhere in the budget. He also has a concern on this issue for next year.

Mayor Parrott stated that he would also like to see the increased costs covered but does not see how the City and Greenville Utilities can afford to continue to cover increases of 15 to 20% a year in costs if the revenues do not keep up with that. The State has already said that they are going to reduce the amount of monies going to municipalities. If insurance costs keep escalating 15% to 20% a year, that is going to be a problem. Mayor Parrott stated that he felt comfortable recommending that, but the only problem is down the road. He does not want to see the insurance rates going over a 10% increase per year and if it does that, the co-pay would have to be increased to bring that in line. Getting up to 15 to 20% gets very expensive. Many of his clients have had to drop their insurance coverage as far as the company contributing to it because it has gotten so expensive. This group needs to be aware of this escalating cost and know that the City and Greenville Utilities cannot pick that up 100% every year as they have done in the past.

Mayor Pro-Tem Miller made a motion for the City Council to accept the committee's recommendations but not pick up the additional premium costs. Motion was seconded by Council Member Little.

General Manager Green stated that the joint pay plan was done initially at the 25% percentile. That means that 75% of the market is above and 25% is below what the City and Greenville Utilities pay their employees, and that tapers to 10% as one goes up the scale. The pay plan is not above market.

Mayor Pro-Tem Miller stated that he thought salaries were competitive. They are not the greatest in the world, but they are more than competitive. Everybody is experiencing increases in health costs, not just municipal employees.

Council Member Dunn pointed out that even if the \$40,000 is absorbed, there is still an increase in the employee's insurance and a decrease in their coverage. It's not like they are not making any contribution.

Council Member Craft stated that he was one of the committee members that did not agree to absorb the \$40,000 and \$20,000 increases. The City does not have the revenue stream that Greenville Utilities Commission has. This amount was not budgeted and the City would have to go into contingencies. If they do this now, they will be faced with the same situation next year.

Commissioner Jenkins pointed out that the City Manager said that it was covered in the budget.

Mayor Parrott stated that he could understand where Council Member Craft was coming from, but Manager Green and Greenville Utilities Commissioners do a great job in trying to hold rates down as much as they can. If the costs are increased, the only way they can recover those costs is to increase rates.

Council Member Craft stated that a year ago Mr. Green asked for two additional vacation weeks for all of Greenville Utilities Commission's employees. If that can be done, there are two additional weeks of workforce that is not needed.

Council Member Little asked if the \$40,000 is included if money is budgeted for the increase.

City Manager Davis replied that it does not; however, if the \$40,000 is included, it can be picked up from contingencies or unused salaries.

Mayor Pro-Tem Miller stated that his motion was to accept the joint committee's renewal of the current plan as follows: (1) change in coverage and co-payment levels which will reduce the premiums to an 11.44% increase effective January 1, 2004, (2) review benefits in a comprehensive joint pay and benefits study FY 2004-2005, and (3) consider a change in the health insurance contract year to coincide with the budget year. Motion was seconded by Council Member Little and carried unanimously.

Motion was made by Council Member Dunn and seconded by Council Member Council for the City to absorb the \$40,000. Motion failed with a 2:3 vote. Council Members Dunn and Council voted in favor of the motion. Mayor Pro-Tem Miller and Council Members Little and Craft voted in opposition.

Motion was made by Commissioner Zincone to accept the three items recommended by the joint committee's renewal of the current plan. Motion was seconded by Chairman Hickman and carried unanimously.

Motion was made by Commissioner Hickman and seconded by Commissioner Powell to absorb the \$23,036 of increased premiums to employees.

City Manager Davis reminded the group that it is very important that the pay plans and compensation plans of Greenville Utilities Commission and the City remain the same. This was decided during charter discussions, and there is a memorandum of agreement for consistency. The City and Greenville Utilities Commission has the same classification and pay plan. He recognized the sentiment that may be present to increase the premium coverage for Greenville Utilities Commission employees, but the consistency is an overriding factor which they have worked very hard to maintain.

Commissioner Zincone stated that the motion is out of order. If what City Manager Davis said is true, then the motion cannot be made.

Commissioner Jenkins stated that the City made a motion and Greenville Utilities Commission can make a similar motion.

Manager Green suggested that one alternative might be for the Committee to go back and bring back a resolution. There are two different boards and rather than force one board to go with the other it might be better to let the Committee to continue to work on it and bring back a recommendation.

Commissioner Zincone made a substitute motion that the previous motion be tabled and sent back to the Committee for a recommendation. The substitute motion was seconded by Vice-Chairman Kittrell.

Commissioner Powell stated that it had been suggested that the whole package be reviewed. City Manager Davis has suggested that they look at contingencies. There are smart people at Greenville Utilities Commission and the City. The amount in questions is not a lot of money. He suggested challenging staff to find the money to cover their costs and they will do it. It will make the employees a partner in this. By taking it away from them, employees will give less. They have to be motivated.

Commissioner Taylor stated that the previous committee discussions were that the lower tier people be considered also. She suggested that the total benefit package be reviewed together. She felt that the costs should be absorbed for one year.

Commissioner Powell stated that the committee did not look at this as Greenville Utilities Commission and the City. They talked about employees and treating everybody the same. It is not a Greenville Utilities Commission and City issue.

Chairman Jenkins asked the Commissioners who was in favor of sending it back to the committee and the committee to come back to the joint meeting and make a recommendation.

The original substitute motion made by Commissioner Zincone and seconded by Vice-Chairman Kittrell that the previous motion be tabled and sent back to the Committee for a recommendation carried unanimously.

Commissioner Jenkins stated that it would go back to the committee for a recommendation.

Motion was made by Council Member Dunn and seconded by Council Member Council to send it back to the committee for a recommendation. Motion was seconded by Council Member Council and carried unanimously.

Council Member Little made a motion for the committee to look at the possibility of adopting a shared leave policy for employees who may have exhausted all of their sick leave and need additional leave. Other employees can contribute their sick leave to a bank for that purpose. Motion was seconded by Council Member Dunn and carried unanimously.

Mayor Parrott stated that he would also like for the Committee to see if a cap can be put on the amount of monies that the City and Greenville Utilities would have to pay. They need to start looking at this now, because this is going to be an issue every year. If a cap has been agreed upon, this will not be a problem. He asked that the Committee review this and bring back to the joint boards.

Council Member Council asked that the committee also consider giving the employees 10 days of vacation or a flat fee similar to what the State employees just did.

REPORT ON GREENVILLE UTILITIES COMMISSION'S "UPGRADE & SAVE PROGRAM FOR CUSTOMERS TO INSTALL HEAT PUMPS IN NEW MANUFACTURED HOUSING"

General Manager Green reported that Greenville Utilities Commission has a pilot program to upgrade new manufactured homes from electric-resistance furnaces to energy-efficient heat-pumps. This program enables new HUD manufactured home owners to equip their home with an energy efficient heat pump and Greenville Utilities Commission pays for the upgrade. The purpose of the program is to help Greenville Utilities Commission customers lower their monthly electric bills. This is a grant-funded program sponsored by the State Energy Office, North Carolina Department of Administration and the U.S. Department of Energy, with State Energy Program funds.

Mr. Andy Yakim gave an update on the program. A kick-off celebration for Upgrade and Save is scheduled for October 9, 2003 at 10:00 AM at the Operations Center Atrium.

REPORTS BY THE CITY MANAGER AND THE GENERAL MANAGER

City Manager Davis gave a status report on preparations that are being made for Hurricane Isabel. City employees are preparing by getting equipment ready and personnel on alert.

Manager Green reported that Greenville Utilities Commission employees are also preparing for Hurricane Isabel. Greenville Utilities Commission employees recently held a mock hurricane drill in late August. There is a more comprehensive storm plan in place than before.

ADJOURN

Motion was made by Council Member Little and seconded by Council Member Council to adjourn the meeting at 7:05 PM. Motion carried unanimously.

Motion was made by Commissioner Zincone and seconded by Commissioner Taylor to adjourn the meeting at 7:05 p.m. Motion carried unanimously.

Respectfully submitted,

Wanda T. Elks, CMC
City Clerk